

Senate Study Bill 3152 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON FEENSTRA)

A BILL FOR

1 An Act relating to the assessment and taxation of telephone and
2 telegraph company property for certain assessment years and
3 including effective date and applicability provisions.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 29C.24, subsection 3, paragraph a,
2 subparagraph (6), Code 2018, is amended to read as follows:

3 (6) The assessment of property taxes by the department
4 of revenue under sections 428.24 through 428.26, 428.28, and
5 428.29, or chapters ~~433~~, 434, 435, and 437 through 438, or by
6 a local assessor under another provision of law, on property
7 brought into the state to aid in the performance of disaster
8 or emergency-related work during a disaster response period if
9 such property does not remain in the state after the conclusion
10 of the disaster response period.

11 Sec. 2. Section 331.401, subsection 1, paragraph k, Code
12 2018, is amended to read as follows:

13 k. Levy taxes as certified to it by tax-certifying bodies
14 in the county, in accordance with the statutes authorizing the
15 levies and in accordance with chapter 24 and sections 444.1 to
16 444.8, and levy taxes as required in chapters ~~433~~, 434, 437,
17 and 438.

18 Sec. 3. Section 331.427, subsection 1, unnumbered paragraph
19 1, Code 2018, is amended to read as follows:

20 Except as otherwise provided by state law, county revenues
21 from taxes and other sources for general county services shall
22 be credited to the general fund of the county, including
23 revenues received under sections 9I.11, 101A.3, 101A.7, 123.36,
24 123.143, 142D.9, 176A.8, 321.105, 321.152, 321G.7, 321I.8,
25 section 331.554, subsection 6, sections 341A.20, 364.3, 368.21,
26 423A.7, 428A.8, ~~433-15~~, 434.19, 445.57, 453A.35, 458A.21,
27 483A.12, 533.329, 556B.1, 583.6, 602.8108, 904.908, and 906.17,
28 and the following:

29 Sec. 4. Section 331.512, subsection 7, Code 2018, is amended
30 by striking the subsection.

31 Sec. 5. Section 331.559, subsection 17, Code 2018, is
32 amended by striking the subsection.

33 Sec. 6. Section 427.1, subsection 2, Code 2018, is amended
34 to read as follows:

35 2. *Municipal and military property.* The property of a

1 county, township, city, school corporation, levee district,
2 drainage district, district organized under [chapter 357E](#), or
3 the Iowa national guard, when devoted to public use and not
4 held for pecuniary profit, except property of a municipally
5 owned electric utility held under joint ownership and property
6 of an electric power facility financed under [chapter 28F](#) or
7 [476A](#) that shall be subject to taxation under [chapter 437A](#)
8 and facilities of a municipal utility that are used for the
9 provision of local exchange services pursuant to [chapter 476](#),
10 but only to the extent such facilities are used to provide such
11 services, ~~which shall be subject to taxation under [chapter 433](#),~~
12 ~~except that [section 433.11](#) shall not apply.~~ The exemption for
13 property owned by a city or county also applies to property
14 which is operated by a city or county as a library, art
15 gallery or museum, conservatory, botanical garden or display,
16 observatory or science museum, or as a location for holding
17 athletic contests, sports or entertainment events, expositions,
18 meetings or conventions, or leased from the city or county for
19 any such purposes, or leased from the city or county by the
20 Iowa national guard or by a federal agency for the benefit of
21 the Iowa national guard when devoted for public use and not
22 for pecuniary profit. Food and beverages may be served at the
23 events or locations without affecting the exemptions, provided
24 the city has approved the serving of food and beverages on the
25 property if the property is owned by the city or the county
26 has approved the serving of food and beverages on the property
27 if the property is owned by the county. The exemption for
28 property owned by a city or county also applies to property
29 which is located at an airport and leased to a fixed base
30 operator providing aeronautical services to the public.

31 Sec. 7. Section 427.1, subsection 40, paragraph a, Code
32 2018, is amended to read as follows:

33 a. The owner of broadband infrastructure shall be entitled
34 to an exemption from taxation to the extent provided in this
35 subsection for assessment years beginning before January

1 1, 2019. For the purposes of this subsection, “*broadband*
2 *infrastructure*” and “*targeted service area*” mean the same as
3 defined in section 8B.1.

4 Sec. 8. Section 427.1, subsection 40, Code 2018, is amended
5 by adding the following new paragraph:

6 NEW PARAGRAPH. *i*. This subsection is repealed July 1, 2021.

7 Sec. 9. Section 427A.1, subsection 1, paragraphs c and d,
8 Code 2018, are amended to read as follows:

9 *c*. Buildings, structures or improvements, any of which are
10 constructed on or in the land, attached to the land, or placed
11 upon a foundation whether or not attached to the foundation.
12 However, property taxed under chapter 435, and property that is
13 a concrete batch plant as that term is defined in subsection
14 4, and property that is transmission property as defined in
15 subsection 6A shall not be assessed and taxed as real property.

16 *d*. Buildings, structures, equipment, machinery or
17 improvements, any of which are attached to the buildings,
18 structures, or improvements defined in paragraph “*c*” of this
19 subsection. However, property that is transmission property
20 as defined in subsection 6A shall not be assessed and taxed as
21 real property.

22 Sec. 10. Section 427A.1, subsection 1, paragraph h, Code
23 2018, is amended to read as follows:

24 *h*. Property assessed by the department of revenue pursuant
25 to sections 428.24 to 428.29, or chapters 433, 434, 437, 437A,
26 437B, and 438.

27 Sec. 11. Section 427A.1, Code 2018, is amended by adding the
28 following new subsection:

29 NEW SUBSECTION. 6A. For purposes of this section,
30 “*transmission property*” means cable and wire facilities,
31 poles, aerial cable, underground cable, buried cable,
32 intrabuilding network cable, or aerial wire within the meaning
33 of and for purposes of the uniform system of accounts for
34 telecommunication companies in 47 C.F.R. pt. 32, in effect on
35 the effective date of this Act.

1 Sec. 12. Section 427B.17, subsection 8, paragraph a, Code
2 2018, is amended to read as follows:

3 a. **This section** shall not apply to property assessed by the
4 department of revenue pursuant to sections **428.24 to 428.29**, or
5 chapters ~~433~~, **434, 437, 437A, 437B**, and **438**, and such property
6 shall not receive the benefits of **this section**.

7 Sec. 13. Section 429.1, Code 2018, is amended to read as
8 follows:

9 **429.1 Notice of assessment.**

10 The department of revenue shall, at the time of making
11 the assessment of property as provided in **chapters 428, ~~433~~,**
12 **434, 437**, and **438**, inform the person assessed, by mail, of
13 the valuation put upon the taxpayer's property. The notice
14 shall contain a notice of the taxpayer's right of appeal to the
15 director of revenue as provided in **section 429.2**.

16 Sec. 14. NEW SECTION. **433.16 Applicability — future**
17 **repeal.**

18 1. This chapter applies to the assessment and taxation of
19 telephone and telegraph company property for assessment years
20 beginning before January 1, 2019.

21 2. This chapter is repealed on July 1, 2021.

22 Sec. 15. Section 437.15, Code 2018, is amended to read as
23 follows:

24 **437.15 Reassessment — procedure and requirements.**

25 Sections ~~433.14~~, and 433.15, Code 2018, and sections 439.1
26 and **439.2** shall apply to the property of transmission lines
27 which are referred to in **section 437.2**.

28 Sec. 16. Section 441.19, subsection 1, paragraph a, Code
29 2018, is amended to read as follows:

30 a. Supplemental and optional to the procedure for the
31 assessment of property by the assessor as provided in this
32 chapter, the assessor may require from all persons required
33 to list their property for taxation as provided by sections
34 428.1 and **428.2**, a supplemental return to be prescribed by
35 the director of revenue upon which the person shall list

1 the person's property. The supplemental return shall be in
2 substantially the same form as now prescribed by law for
3 the assessment rolls used in the listing of property by the
4 assessors. However, for assessment years beginning on or after
5 January 1, 2018, and unless otherwise required for property
6 valued by the department of revenue pursuant to [chapters 428,](#)
7 ~~433,~~ [437,](#) and [438,](#) a supplemental return shall not request,
8 and a person shall not be otherwise required to provide to the
9 assessor for property assessment purposes, sales or receipts
10 data, expense data, balance sheets, bank account information,
11 or other data related to the financial condition of a business
12 operating in whole or in part on the property if the property
13 is both classified as commercial or industrial property and
14 owned and used by the owner of the business. Every person
15 required to list property for taxation shall make a complete
16 listing of the property upon supplemental forms and return the
17 listing to the assessor as promptly as possible. The return
18 shall be verified over the signature of the person making the
19 return and [section 441.25](#) applies to any person making such
20 a return. The assessor shall make supplemental return forms
21 available as soon as practicable after the first day of January
22 of each year. The assessor shall make supplemental return
23 forms available to the taxpayer by mail, or at a designated
24 place within the taxing district.

25 Sec. 17. Section 441.21, subsection 2, Code 2018, is amended
26 to read as follows:

27 2. In the event market value of the property being assessed
28 cannot be readily established in the foregoing manner, then
29 the assessor may determine the value of the property using the
30 other uniform and recognized appraisal methods including its
31 productive and earning capacity, if any, industrial conditions,
32 its cost, physical and functional depreciation and obsolescence
33 and replacement cost, and all other factors which would assist
34 in determining the fair and reasonable market value of the
35 property but the actual value shall not be determined by use

1 of only one such factor. The following shall not be taken into
2 consideration: Special value or use value of the property to
3 its present owner, and the goodwill or value of a business
4 which uses the property as distinguished from the value of
5 the property as property. In addition, for assessment years
6 beginning on or after January 1, 2018, and unless otherwise
7 required for property valued by the department of revenue
8 pursuant to [chapters 428, 433, 437, and 438](#), the assessor
9 shall not take into consideration and shall not request from
10 any person sales or receipts data, expense data, balance
11 sheets, bank account information, or other data related to
12 the financial condition of a business operating in whole or
13 in part on the property if the property is both classified as
14 commercial or industrial property and owned and used by the
15 owner of the business. However, in assessing property that
16 is rented or leased to low-income individuals and families
17 as authorized by section 42 of the Internal Revenue Code,
18 as amended, and which section limits the amount that the
19 individual or family pays for the rental or lease of units
20 in the property, the assessor shall, unless the owner elects
21 to withdraw the property from the assessment procedures for
22 section 42 property, use the productive and earning capacity
23 from the actual rents received as a method of appraisal and
24 shall take into account the extent to which that use and
25 limitation reduces the market value of the property. The
26 assessor shall not consider any tax credit equity or other
27 subsidized financing as income provided to the property in
28 determining the assessed value. The property owner shall
29 notify the assessor when property is withdrawn from section 42
30 eligibility under the Internal Revenue Code or if the owner
31 elects to withdraw the property from the assessment procedures
32 for section 42 property under [this subsection](#). The property
33 shall not be subject to section 42 assessment procedures
34 for the assessment year for which section 42 eligibility is
35 withdrawn or an election is made. This notification must

1 be provided to the assessor no later than March 1 of the
2 assessment year or the owner will be subject to a penalty of
3 five hundred dollars for that assessment year. The penalty
4 shall be collected at the same time and in the same manner
5 as regular property taxes. An election to withdraw from the
6 assessment procedures for section 42 property is irrevocable.
7 Property that is withdrawn from the assessment procedures
8 for section 42 property shall be classified and assessed as
9 multiresidential property unless the property otherwise fails
10 to meet the requirements of [section 441.21, subsection 13](#).
11 Upon adoption of uniform rules by the department of revenue
12 or succeeding authority covering assessments and valuations
13 of such properties, the valuation on such properties shall be
14 determined in accordance with such rules and in accordance with
15 forms and guidelines contained in the real property appraisal
16 manual prepared by the department as updated from time to time
17 for assessment purposes to assure uniformity, but such rules,
18 forms, and guidelines shall not be inconsistent with or change
19 the foregoing means of determining the actual, market, taxable,
20 and assessed values.

21 Sec. 18. Section 441.21, subsection 5, paragraph a, Code
22 2018, is amended to read as follows:

23 a. For valuations established as of January 1, 1979,
24 property valued by the department of revenue pursuant to
25 chapters 428, ~~433~~, 437, and 438 shall be considered as one
26 class of property and shall be assessed as a percentage of
27 its actual value. The percentage shall be determined by the
28 director of revenue in accordance with the provisions of this
29 section. For valuations established as of January 1, 1979, the
30 percentage shall be the quotient of the dividend and divisor
31 as defined in [this section](#). The dividend shall be the total
32 actual valuation established for 1978 by the department of
33 revenue, plus ten percent of the amount so determined. The
34 divisor for property valued by the department of revenue
35 pursuant to [chapters 428, ~~433~~, 437, and 438](#) shall be the

1 valuation established for 1978, plus the amount of value added
2 to the total actual value by the revaluation of the property
3 by the department of revenue as of January 1, 1979. For
4 valuations established as of January 1, 1980, property valued
5 by the department of revenue pursuant to [chapters 428, 433,](#)
6 [437,](#) and [438](#) shall be assessed at a percentage of its actual
7 value. The percentage shall be determined by the director of
8 revenue in accordance with the provisions of [this section](#). For
9 valuations established as of January 1, 1980, the percentage
10 shall be the quotient of the dividend and divisor as defined in
11 this section. The dividend shall be the total actual valuation
12 established for 1979 by the department of revenue, plus eight
13 percent of the amount so determined. The divisor for property
14 valued by the department of revenue pursuant to [chapters 428,](#)
15 [433,](#) [437,](#) and [438](#) shall be the valuation established for 1979,
16 plus the amount of value added to the total actual value by the
17 revaluation of the property by the department of revenue as of
18 January 1, 1980. For valuations established as of January 1,
19 1981, and each year thereafter, the percentage of actual value
20 at which property valued by the department of revenue pursuant
21 to [chapters 428, 433,](#) [437,](#) and [438](#) shall be assessed shall be
22 calculated in accordance with the methods provided herein,
23 except that any references to ten percent in [this subsection](#)
24 shall be eight percent. For valuations established on or after
25 January 1, 2013, property valued by the department of revenue
26 pursuant to [chapter 434](#) shall be assessed at a percentage of
27 its actual value equal to the percentage of actual value at
28 which property assessed as commercial property is assessed
29 under paragraph "b" for the same assessment year.

30 Sec. 19. Section 441.21, subsections 9 and 10, Code 2018,
31 are amended to read as follows:

32 9. Not later than November 1, 1979, and November 1 of each
33 subsequent year, the director shall certify to the county
34 auditor of each county the percentages of actual value at
35 which residential property, agricultural property, commercial

1 property, industrial property, multiresidential property,
2 property valued by the department of revenue pursuant to
3 chapter 434, and property valued by the department of revenue
4 pursuant to chapters 428, ~~433~~, 437, and 438 in each assessing
5 jurisdiction in the county shall be assessed for taxation. The
6 county auditor shall proceed to determine the assessed values
7 of agricultural property, residential property, commercial
8 property, industrial property, multiresidential property,
9 property valued by the department of revenue pursuant to
10 chapter 434, and property valued by the department of revenue
11 pursuant to chapters 428, ~~433~~, 437, and 438 by applying such
12 percentages to the current actual value of such property,
13 as reported to the county auditor by the assessor, and the
14 assessed values so determined shall be the taxable values of
15 such properties upon which the levy shall be made.

16 10. The percentage of actual value computed by the
17 department of revenue for agricultural property, residential
18 property, commercial property, industrial property,
19 multiresidential property, property valued by the department
20 of revenue pursuant to chapter 434, and property valued by the
21 department of revenue pursuant to chapters 428, ~~433~~, 437, and
22 438 and used to determine assessed values of those classes
23 of property does not constitute a rule as defined in section
24 17A.2, subsection 11.

25 Sec. 20. Section 441.73, subsection 1, Code 2018, is amended
26 to read as follows:

27 1. A litigation expense fund is created in the state
28 treasury. The litigation expense fund shall be used for the
29 payment of litigation expenses incurred by the state to defend
30 property valuations established by the director of revenue
31 pursuant to section 428.24 and chapters ~~433~~, 434, 437, 437A,
32 437B, and 438, and for the payment of litigation expenses
33 incurred by the state to defend the imposition of replacement
34 taxes and statewide property taxes under chapters 437A and
35 437B.

1 Sec. 21. Section 476.1D, subsection 10, Code 2018, is
2 amended by striking the subsection.

3 Sec. 22. FUTURE ASSESSMENT YEARS. Telephone and telegraph
4 company property subject to assessment under chapter 433 for
5 assessment years beginning before January 1, 2019, shall be,
6 for assessment years beginning on or after January 1, 2019,
7 assessed by local assessors under chapters 427, 427A, 427B,
8 428, and 441, and any other applicable provision of law in the
9 same manner and on the same basis as other commercial property
10 located in the assessing jurisdiction where situated.

11 Sec. 23. SAVINGS PROVISION. This Act, pursuant to section
12 4.13, does not affect the operation of, or prohibit the
13 application of, prior provisions of chapter 433, or rules
14 adopted under chapter 17A to administer prior provisions of
15 chapter 433, for assessment years beginning before January 1,
16 2019, and for duties, powers, protests, appeals, proceedings,
17 actions, or remedies attributable to an assessment year
18 beginning before January 1, 2019.

19 Sec. 24. IMPLEMENTATION. Section 25B.7 shall not apply to
20 this Act.

21 Sec. 25. EFFECTIVE DATE. The following take effect July 1,
22 2021:

- 23 1. The section of this Act amending section 29C.24.
- 24 2. The section of this Act amending section 331.401.
- 25 3. The section of this Act amending section 331.427.
- 26 4. The section of this Act amending section 331.512.
- 27 5. The section of this Act amending section 331.559.
- 28 6. The section of this Act amending section 427.1,
29 subsection 2.
- 30 7. The section of this Act amending section 427A.1,
31 subsection 1, paragraph "h".
- 32 8. The section of this Act amending section 427B.17.
- 33 9. The section of this Act amending section 429.1.
- 34 10. The section of this Act amending section 437.15.
- 35 11. The section of this Act amending section 441.19.

1 12. The section of this Act amending section 441.21,
2 subsection 2.

3 13. The section of this Act amending section 441.21,
4 subsection 5.

5 14. The section of this Act amending section 441.21,
6 subsections 9 and 10.

7 15. The section of this Act amending section 441.73.

8 Sec. 26. APPLICABILITY. The following apply to assessment
9 years beginning on or after January 1, 2019:

10 1. The section of this Act amending section 427A.1,
11 subsection 1, paragraphs "c" and "d".

12 2. The section of this Act enacting section 427A.1,
13 subsection 6A.

14 3. The section of this Act amending section 476.1D.

15 EXPLANATION

16 The inclusion of this explanation does not constitute agreement with
17 the explanation's substance by the members of the general assembly.

18 Current Code chapter 433 requires the department of revenue
19 to centrally assess the property of telegraph and telephone
20 companies that is used by the companies in the transaction of
21 telegraph and telephone business. The assessment conducted by
22 the department of revenue using information provided by the
23 companies is required to include all property of every kind
24 and character whatsoever, real, personal, or mixed, used by
25 the companies in the transaction of telegraph and telephone
26 business. In valuing such property, the department of revenue
27 is required to take into consideration the valuation of all
28 property of the companies, including franchises and the use of
29 the property in connection with lines outside the state, and
30 making these deductions as may be necessary on account of extra
31 value of property outside the state as compared with the value
32 of property in the state, in order that the actual value of the
33 property of the company within this state may be ascertained.

34 Code chapter 433 also provides for certain amounts of
35 property value to be exempt from taxation and establishes a

1 process by which the valuation of the company is allocated to
2 each county of the state into which the line of the company
3 extends.

4 This bill makes the current central assessment process under
5 Code chapter 433 applicable to property tax assessment years
6 beginning before January 1, 2019, and provides that telephone
7 and telegraph company property subject to assessment under Code
8 chapter 433 for assessment years beginning before January 1,
9 2019, shall be, for assessment years beginning on or after
10 January 1, 2019, assessed by local assessors in the same manner
11 and on the same basis as other commercial property located in
12 the assessing jurisdiction.

13 Code section 427A.1 requires certain property to be assessed
14 and taxed as real property, including the following: (1)
15 buildings, structures or improvements, any of which are
16 constructed on or in the land, attached to the land, or placed
17 upon a foundation whether or not attached to the foundation,
18 and (2) buildings, structures, equipment, machinery or
19 improvements, any of which are attached to the buildings,
20 structures, or improvements. The bill excludes transmission
21 property from being assessed and taxed as real property.
22 The bill defines "transmission property" as cable and wire
23 facilities, poles, aerial cable, underground cable, buried
24 cable, intrabuilding network cable, or aerial wire within the
25 meaning of and for purposes of the uniform system of accounts
26 for telecommunications companies in 47 C.F.R. pt. 32, in effect
27 on the effective date of the bill.

28 By operation of law, the removal of telecommunications
29 company property from assessment by the department of
30 revenue under Code chapter 433 and subsequent repeal of Code
31 chapter 433 removes the sale price from the sale of certain
32 telecommunications company machinery, equipment, and computers
33 from the provision of Code section 423.3, subsection 47,
34 paragraph "c", subparagraph (3), that subjects such sales to
35 the state sales and use tax.

1 The bill makes corresponding changes to various provisions
2 of the Code relating to the central assessment of property
3 under Code chapter 433, sunsets a property tax exemption for
4 certain broadband infrastructure under Code section 427.1(40),
5 and strikes a provision in Code section 476.1D that allows
6 certain specified long-distance telephone company property to
7 be assessed for taxation as commercial property by the local
8 assessor.

9 The bill, pursuant to Code section 4.13, does not affect the
10 operation of, or prohibit the application of, prior provisions
11 of Code chapter 433, or rules adopted under Code chapter 17A to
12 administer prior provisions of Code chapter 433, for assessment
13 years beginning before January 1, 2019, and for duties,
14 powers, protests, appeals, proceedings, actions, or remedies
15 attributable to an assessment year beginning before January 1,
16 2019.

17 The bill provides that the provisions in Code section 25B.7,
18 relating to the obligation of the state to reimburse local
19 jurisdictions for property tax credits and exemptions, do not
20 apply to the bill.

21 The bill repeals Code chapter 433 on July 1, 2021, and makes
22 several corresponding amendment changes effective on July 1,
23 2021.

24 The sections of the bill amending Code section 427A.1,
25 subsection 1, paragraphs "c" and "d", enacting Code section
26 427A.1, subsection 6A, and amending Code section 476.1D apply
27 to assessment years beginning on or after January 1, 2019.